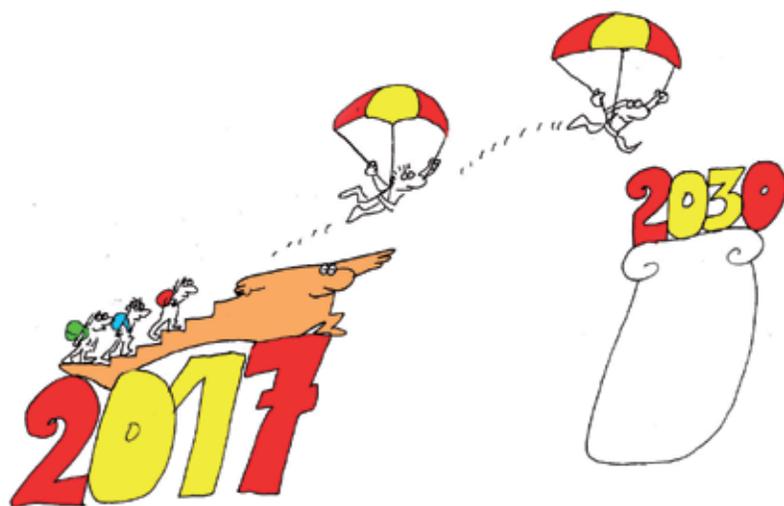


# A pact for **inclusive growth**

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**CÍRCULO DE  
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## A pact for inclusive growth

**T**he year **1977** evokes images of **change, freedom, openness and mutual understanding**. Many Spanish people can remember where they were when the recent democratic history of our country began. Others, because of their age, grew up while this was being consolidated, or had the good fortune to be born in a modern Spain that was fully integrated in Europe. For the past forty years, **each generation has contributed**, to a greater or lesser extent according to the era in which they were born, to **the creation of a more prosperous and open society**. The recent economic downturn that we have endured and **the problems that continue after it have blurred our collective memory**. It's time to recover that – to remember where we came from and to transmit to the next generation that another period of advances and integration is possible. In order to do that, it's necessary to regain our self-esteem and confidence in our own capabilities. Achieving a better country for everyone is in our hands, we already proved that 40 years ago.

**The socioeconomic balance** is a clear reflection that **Spain is a success story**. Since 1977, per capita income for the Spanish has doubled in real terms and gone from 76.1% of the EU average to the current 92%. **The incorporation of women in the job market** is a reality – their participation has grown from 28% to 53%. At the same time, the productive model has been through a process of tertiarisation, as in the rest of the advanced economies, with the service sector accounting for 75% of employment (42% in 1977). Exports have increased from 13.3% to 33.1% of GDP, highlighting the role of Spanish multinationals, some of which are world leaders. **Integration in the European project** boosted foreign investment attractiveness and provided our economy with greater price and interest rate stability. In conclusion, Spain's current economy is more **competitive and open to the world**.

On a **social level**, we've been able to build the **Welfare State**. In terms of education, the percentage of university students has grown from 3.6% to 28.2% of the population over 16 years of age. The health system, once fragmented and unequal, has become public and free, offering universal coverage. At the same time, successive measures guarantee the current standard of living for our pensioners, especially with the creation of non-contributory pensions. There have been many other **social advances that we have achieved thanks to the growth of the Spanish middle class and the role it has played**.



|   | 1977       | 2017        |
|---|------------|-------------|
| <b>Total population</b> (number of people)  | 36,255,708 | 46,443,249  |
| <b>Immigrant population</b> (number of people)  | 160        | 4,549,858   |
| <b>Life expectancy at birth</b> (years)   | 74.13      | 82.8        |
| <b>Infant mortality</b> (per 1,000 live births)   | 16.03      | 2.6         |
| <b>Fertility rate</b> (average number of children per woman)                                  | 2.65       | 1.3         |
| <b>Nominal per capita income</b> (euros)  | 1,657      | 25,028      |
| <b>Real per capital income</b> (constant dollars, 2010)                                       | 17,261     | 31,449      |
| <b>Inflation</b> (year-on-year change)  | 26.3%      | 1.5%        |
| <b>Interest rates</b> (Mibor- interbank market)   | 22%        | -0.149%     |
| <b>Public debt</b> (% GDP)  | 13%        | 100%        |
| <b>Per capita healthcare expenditure</b><br>(current dollars PPP - purchasing power parity)   | 204 \$     | 2,300 \$    |
| <b>Per capita expenditure on education</b><br>(current dollars PPP - purchasing power parity) | 115,78 \$  | 1,569.84 \$ |
| <b>Social expenditure</b> (% of total expenditure)  | 42%        | 63%         |
| <b>University students</b> (% population > 16 years of age)                                   | 3.6        | 28.2        |
| <b>Illiteracy rates &gt; 16 years of age</b> (% population > 16 years of age)                 | 9%         | 1.75%       |
| <b>Illiteracy rates &gt; 65 years of age</b> (% population > 65 years of age)                 | 30%        | 5.4%        |
| <b>Total active population</b> (million of people)  | 13.3       | 22.7        |
| <b>Active female population</b> (% of female population > 16 years of age)                    | 28%        | 53%         |
| <b>Network of motorways and toll roads</b> (km)   | 1,100      | 15,048      |
| <b>Vehicle fleet</b> (cars)   | 8,269,311  | 30,122,681  |
| <b>Traffic accident mortality rate</b> (people)   | 4,500      | 1,160       |
| <b>Goods and services exports</b> (% of GDP)  | 13.3%      | 33.1%       |
| <b>Foreign tourists</b> (million)   | 34         | 75.3        |
| <b>Direct foreign investment</b> (million \$)   | 608        | 26,727      |
| <b>Telephone lines</b> (million)  |            |             |
| Fixed line  | 5.6        | > 20        |
| Mobiles   | ...        | 44.3        |



After a long economic downturn, Spain has recovered its levels of wealth from 2008, and leads economic growth among the main European nations. However, **the recovery hasn't been enough to resolve the structural problems that persist today**. Added to high levels of unemployment (especially long-term and youth unemployment), debt and the shadow economy, there is the inefficiency of our education system and increases in inequality, population ageing and deterioration in institutional quality. This is set against a backdrop of a **changing world** that is more multipolar, multicultural and fragmented than the one that existed when democratic Spain started its journey.

Therefore, it isn't only **time to reflect on the past** but also to **prepare for the future**. It may seem uncertain, but it's also open and offers enormous opportunities as a result of the main macro-tendencies that we see in the **2030 scenario**:

- **The movement of the world's centre of economic gravity** from the north Atlantic to the Asia-Pacific zone, returning to its starting position before the Industrial Revolution when India and China represented more than 50% of world GDP, not because they were the richest countries but because Asia was home to 60% of the world population.
- **Global population will continue growing** until it reaches over 8.5 billion people in 2030, and the proportion of people over the age of 65 will also increase. As a result of this, the working age population (between the ages of 15 and 64) will decrease notably in China, Japan and the European Union, especially in Germany, Portugal, Italy and Spain. The average age for Europeans will be 45.1 in comparison to 33 for the world population (United Nations, 2017).
- Up until 2030, it's expected that **the world middle class will increase** by 3 billion people, more than two thirds of whom will live in emerging markets, principally in the Asia-Pacific zone. This advance will boost educational and technological levels and innovative capacity. It will also be mostly concentrated in 40 cities with more than 10 million inhabitants (23 at present) where 721 million people will live (250 million more than in 2014).
- These cities are becoming consumer and decision-making centres, and productive and innovative ecosystems that will progressively modify the current **business demography**. Until 2030, 7,000 new large companies will appear, of which 5,000 will be in emerging economies, 40% in China (McKinsey Global Institute, 2016).
- **The advance of digitalisation** from disruptive technologies, with greater interconnectivity, automisation and robotisation, is **transforming the concept of traditional employment**. Sixty-five percent of the children who are starting their primary studies now will occupy posts that we aren't even aware of today (the World Economic Forum, 2015). Similarly, youngsters who are currently finishing their studies will have to take refresher courses and acquire more skills between 10 and 14 times during their professional lives. At the same time, this technological revolution is generating the appearance of new markets and business models, in which the transformation of media, transport and payment systems can already be observed.
- New **geopolitical factors** will condition the future advance of globalisation with the possibility that protectionist and isolationist positions will slow down world trade growth. On the other hand, innovation and greater social awareness will be the key to dealing with growing energy demands and environmental challenges.



In this context, **generating a new period of economic growth that is more sustainable and inclusive is in our hands**. If we can develop a common, inclusive and motivating project, as we did four decades ago, and if we regain a climate of confidence, we can support one another and create cohesion. We will then be in condition to solve the problems that still exist, preparing ourselves for the world to come.

**Círculo de Empresarios**, on its 40th anniversary, wants to contribute to a debate on how we should configure a new country project to remind us of a time of transformation, progress and unity. In order to achieve that, we've summarised the **principles for creating a better Spain for everyone in 4 areas**:

- **Education** should be adapted to **the new requirements, knowledge and abilities** that citizens, businesses and the public administrations (AAPP) demand. We're facing a new socioeconomic environment in which the **digital transformation** will mean that talent gains importance. Young people must have the appropriate education and capability of adaption so they can look to the future with confidence and feel capable of fulfilling their lifetime projects. In order to improve the quality of education and to connect it to the world of the future, it's necessary to improve the link between the education and business, paying special attention to the development of **dual vocational training, lifelong training, business entrepreneurial skills** and more **scientific degrees** (STEM).

All educational systems should be designed with the long-term in mind, guaranteeing the **principle of equal opportunities** that allows for sustainable and inclusive growth. At the same time, its quality and capacity for innovation is closely linked to the training, motivation and social recognition of teaching staff.

The **future success of the educational system**, and consequently of youngsters, will **depend on a capacity for consensus** between political parties, and their willingness to take into consideration the best practices from reference countries, and ideas from social agents (especially the teaching staff) and civic society as a whole.

- Sustainable and inclusive growth can only be achieved if there is full **quality employment**. It's necessary to allow the greatest possible number of people to benefit from trade, the digital transformation and the period of globalisation that we're going through. The achievement of this will not only require reforming the educational system, but also a defence of the market economy and the role of businesspeople in general. To grow in a stable and inclusive manner requires a **business framework** in which there's a **greater presence of medium-sized and large companies**, which have more capacity to innovate and internationalise, and can provide more stable, quality employment with higher salaries. The creation and the growth of companies will make it easier for the Spanish economy to advance in its process of **internationalisation, innovation and digitalisation** in order to compete in a global economic environment with a new system of political, economical, commercial and environmental forms of governance. It's necessary to create an ecosystem that promotes recruitment, the role of proactive employment policies, lifelong training, the creation and the growth of companies, the attraction of foreign investment and centres of innovation, by leveraging our country's strengths. So, the future quality of employment is conditioned by new significant **advances in terms of our country's productivity and competitiveness**. In order to achieve this, it's essential to adapt the regulatory framework and to design an **economic policy** that is more



global and **with a greater long-term vision in mind, focusing on the best world practices and the macro-tendencies that are shaping the future.** At the same time, companies, as one of the key players in the creation of wealth and wellbeing, should assume a new role, leading the creation of a new social contract. Regaining confidence and social cohesion is a joint task. In order to achieve it, our companies should opt for long-term growth, environmental sustainability, a remuneration policy linked to productivity and training for the employment of our youngsters.

- The **Welfare State** should adapt and respond to the **social reality.** Spain, along with Europe in general, is facing, among many other challenges, population ageing, the automation and digitalisation of employment (and our lives), and the appearance of new social and family circumstances.

As with education, the aim should be to **guarantee equal opportunities** and, with that, reduce the risk of poverty and social exclusion. Citizens should feel that our Welfare State provides answers and solutions to social difficulties and necessities, but at the same time they should show responsibility with regard to the use of social benefits and compliance with their tax obligations.

The new Welfare State of the 21st century should achieve a **correct intergenerational balance, introducing measures that support the birth rate and the incorporation of women in the labour market, promoting lifelong employee training, maintaining access to healthcare and social services,** and ensuring the **viability of the pensions system.** Its sustainability is linked to our level of public debt, competitiveness, employment and public administration efficiency, among many other factors. It's essential that we improve the management of public spending and the efficiency of the tax system, ensuring budgetary equilibrium over the economic cycle.

- **Competitiveness and a country's welfare** are related to the quality of its legal and institutional framework, essential elements being **observance of the law and judicial security.** Its inefficiency generates costs that place additional burdens on society in general, which in turn conditions its dynamism and sustainable and inclusive economic growth. Quality institutions incentivise efficient behaviour, encourage people to invest and innovate, generate confidence and affection and promote the creation and growth of companies and increase productivity.

**Transparency,** and the **independence** of judicial power and regulatory bodies are the essential pillars on which institutional quality should be founded, all of which without harming the **economic freedom** that is characteristic of countries with a lower level of corruption. In parallel to this, improvements in **institutional quality** should **boost the leadership capabilities and credibility of Spain on the European and global stage.** We have the opportunity to jointly lead the future design of the European Union.

With a common and generous vision, Spain and the main European countries should be capable of joining forces and cooperating to **replicate once again a period of progress and welfare** that will correct imbalances and reduce the uncertainty that all periods of transformation generate. We should carry out more on a joint basis, focusing on the major problems that persist in our country to **generate motivation and affection towards the future** so that the citizens think that the world they will leave for their children will be a better one than theirs, and that this feeling is shared by future generations.



## POSSIBILITIES FOR SPAIN

These days we can count on sufficient strengths to achieve a more sustainable and inclusive growth. The **Spain of 2017**, aside from its geographical and cultural advantages, and its membership of the EU, is full of talent, technical infrastructure and companies with an international presence. Aside from that, during the crisis, Spanish society showed its solidarity. All these are key elements to **recover cooperation and a reformist momentum** that is required to resolve the problems that concern us all.

If we had carried out the **necessary reforms** in education, in boosting the dynamism and the growth of our businesses, and in reducing the weight of the shadow economy, the **current socioeconomic situation** in Spain would be **different** in terms of **employment, social exclusion and the sustainability of the Welfare State**.

### 1. Improving the quality of our education system

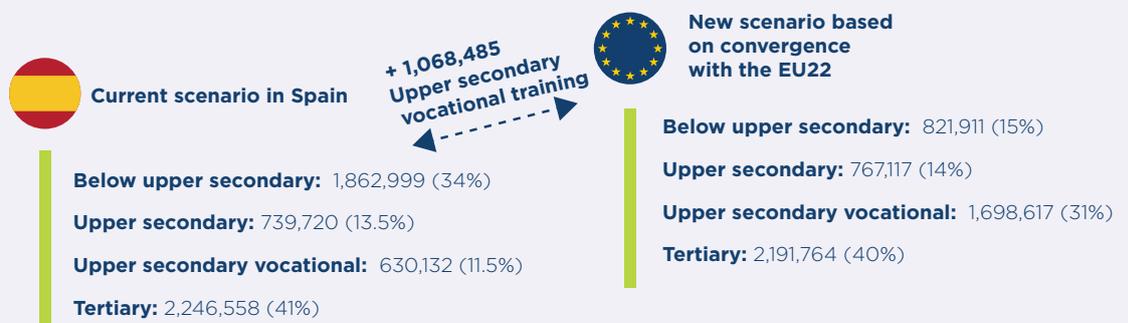
#### The impact on unemployment

If Spain had come to an agreement on an education pact with more of a vocational slant, adapted to the new requirements of companies, we would have reduced the high school dropout rate and moved towards the EU22 average in terms of our youngsters' level of studies. More specifically, among **youngsters between the ages of 25 and 34**, there would be **1,068,485 more medium-level vocational training graduates**.

If Spain had a population distribution (25-34 years) by level of studies similar to the **EU22 average...**

The number of people with **upper secondary vocational training would increase by 1,068,485**

If we had a distribution similar to the EU22...



EU 22: Countries that belong to the OECD  
Source: Círculo de Empresarios based on OECD, 2017



This new scenario, applying the current rates of employment for our country by educational segment, would result in a 7.4% reduction in the level of unemployment among youngsters between the ages of 25 and 34. In other words, more training leads to an increase in employability.



An **inadequate level of training** has a **negative impact on unemployment**

**Current scenario**  
Total unemployed: 1,189,238



Impact on unemployment  
▼ **88,056 unemployed people**  
7.4% of the total

**New scenario**  
Total unemployed: 1,101,182



**Below upper secondary:** 554,354

**Upper secondary:** 144,364

**Upper secondary vocational:** 132,756

**Tertiary:** 357,764

→ **88,056 fewer unemployed people**  
If Spain had a distribution similar to the EU22, applying its current rates of unemployment

**Below upper secondary:** 244,568

**Upper secondary:** 149,711

**Upper secondary vocational:** 357,865

**Tertiary:** 349,038

|                                    | Activity rate | Unemployment rate |
|------------------------------------|---------------|-------------------|
| <b>Below upper secondary:</b>      | 86%           | 34,6%             |
| <b>Upper secondary:</b>            | 82%           | 23,8%             |
| <b>Upper secondary vocational:</b> | 92%           | 22,9%             |
| <b>Tertiary:</b>                   | 91%           | 17,5%             |

Source: Círculo de Empresarios based on INE, OECD, 2017

Besides that, if Spain had a more competitive education system, better proactive employment policies and a job market based on **flexicurity**, we could have reached EU22 average levels of unemployment. Consequently, the number of unemployed people between the ages of 25 and 34 would have been reduced by **649,657 people**.

## The impact on social exclusion

At the same time, if Spain had a **distribution by level of studies among the population between the ages of 25 and 64 similar to the EU22 average** and we applied the current risk of exclusion rates in our country, the number of people at risk of exclusion would fall by **831,823** (10.6% of the total).

An **inadequate level of training** has negative effects on social exclusion

If Spain had a population distribution (25-64 years) **with a level of training similar to the EU22, applying the current rates of those who are at risk of exclusion in Spain**



**People at risk of exclusion in Spain**

**Below upper secondary:** 4,947,951 (43.9%)

**Upper secondary:** 1,591,565 (27.6%)

**Tertiary:** 1,270,604 (13.85%)



**New scenario of convergence with the EU22**

**Below upper secondary:** 2,416,442 (43.9%)

**Upper secondary:** 3,400,160 (27.6%)

**Tertiary:** 1,161,695 (13.85%)

→ **- 831,823 people**

Source: Círculo de Empresarios based on INE, OECD, 2017

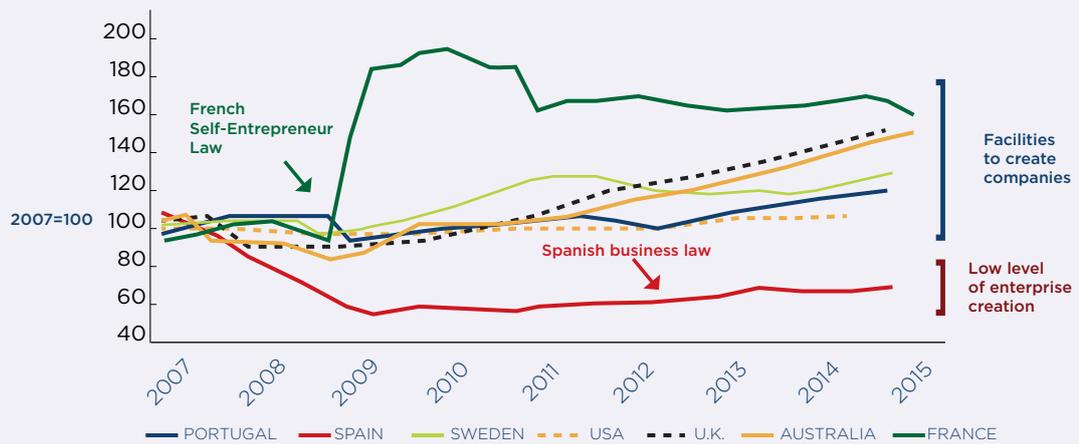


If we applied (in the second scenario) the rates in the EU22 for those at risk of social exclusion for each educational level, the number of **people at risk of social exclusion** in Spain would be **reduced by 1,701,633** (21.8% of the total).

## 2. Boosting the creation and growth of Spain's businesses

If Spain had passed the 2013 Entrepreneurial Law, taking as a reference point the one that was passed in France in 2009, we would currently have the potential to create **50% more companies every year, reaching a figure of 3,439,979**.

If Spain had developed a **reform** similar to the French Self-Entrepreneur Law, **50% more companies could be created per year**



Source: Círculo de Empresario based on OECD, 2016

In France, the Self-Entrepreneur Law created a more flexible bureaucratic framework, allowing for a simplified social and fiscal regime that could be applied to companies with a volume of business below 80,000 euros for retail operations and 32,000 for all other services, and guaranteed the protection of the entrepreneur's personal property. All this has generated an average yearly increase of 70% in the number of companies created.

### French reform Enterprise creation

2008  
331,439

↓

2009 reform  
580,193

↓

2016  
554,031

### Spanish reform Enterprise creation

2008  
103,565

↓

2013 reform  
93,363

↓

(with a reform similar to the French one)  
**+50% yearly 2014-16**  
(Approx. 150,000)

Note: Estimated increase for the creation of enterprises of 50% (70% in France)  
Source: Círculo de Empresarios based on OECD, 2017



At the same time, if Spain had reduced the tax, labour and bureaucratic hurdles that prevented companies from growing, and had adopted measures to diversify sources of funding, facilitating talent attraction and guaranteeing market unity, we would have more large companies today.

If we had something **similar to France's average company size** today, we would have more medium-sized and large companies. More specifically, **11,603 more medium and 2,534 more large companies**, and the number of **exporting firms would increase by 16,600<sup>1</sup>**. At the same time, **innovative enterprises** would increase by **5,127<sup>2</sup>**.

At the same time... **growth of the average business size** similar to the French one

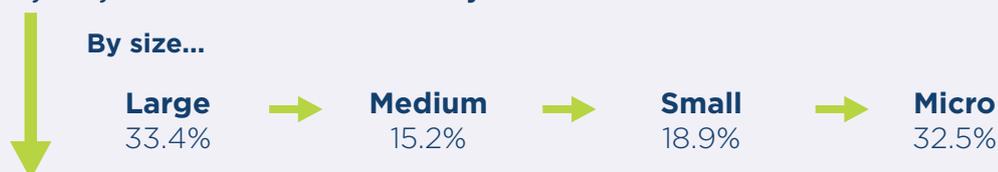


Source: Círculo de Empresarios based on INE, Cepyme, Eurostat, 2017

This speed of company creation and growth would generate approximately **1,100,000 more jobs<sup>3</sup>**, of which 48.6% would be created by medium-sized and large companies. For its part, the OECD claims that **the bigger the company the smaller the temporary labour force**. More specifically, in the case of Spain, the existence of temporary work is 44% higher in companies with less than 20 workers with respect to medium-sized ones (50-249) and large companies (+250).

### Impact on **employment**

**+1,100,000 additional direct jobs**



+ 500,000 created annually through the current economic cycle

= Reaching a total of **20.1 million employed people in 2017**

Source: Círculo de Empresarios based on Cepyme, 2017

1. Apart from figures from Cepyme, the following percentages from exporting firms by size have been considered: large (55.7%), medium (40.7%), small (21.5%) and micro (2.1%).

2. The percentage of innovative enterprises is distributed by size in the following way: large (39.1%), medium (21.9%) and small (8.9%).

3. Calculation based on the average number of employees in Spanish companies (4.6).



To this new employment, we have to add those jobs generated through present economic growth of 3% (500,000 new jobs annually) to reach the 20.1 million employed people. If this were the case, the rate of **unemployment would fall by 5.9 pp**, reaching this new scenario of 11.6% of the labour force.

### Impact on **unemployment**

#### - 5.9 pp on the unemployment rate



Source: Círculo de Empresarios, 2017

With this degree of job creation, not only would we achieve a greater state of inclusion, but also an advance in the level of productivity, wealth and welfare of the Spanish economy.

Aside from the effect on employment, this new business scenario would mean a contribution to nominal GDP of 3.5 pp (€43.9 billion) in addition to the amounts generated by the economic cycle. Of this, 62% would correspond to an increase in the total payroll which would allow us to reach a final nominal GDP of 1.2 trillion euros.

### Impact on **GDP**



Note: The Ministry of Economy has estimated an impact of 3 pp on GDP if we had a business size similar to the European average

Source: Círculo de Empresarios, 2017



The growth of business size would increase the wealth of the country and would generate a significant tax footprint. Taking into account that in the average elasticity for GDP-tax collection in our country is 1.5<sup>4</sup>, Spain would receive **additional fiscal revenue of 22.1 billion euros** (1.8% of GDP). Of this, 8.1 billion euros would correspond to revenue from **social security contributions**. At the same time, the reduction in the level of unemployment would mean a **saving of 6.1 billion euros in expenditure on unemployment benefits or assistance**.

#### Effects on the **public deficit**

##### Unemployment expenditure

Budget 2017:  
23.8 billion €  
**-6.1 billion €**



##### Increase in tax revenue

**22.1 billion €**

*8.1 billion € corresponding  
to the Social Security*



The total public deficit would be **reduced to... -0.76%**

And... **Primary surplus = 1.76 %**



End of Excessive  
Deficit Procedure

Source: Círculo de Empresarios, 2017

As a consequence of economic growth, the savings in expenditure policies and the improvements in tax collection, Spain would abandon the cycle of excessive deficit, reaching an overall budget position (linked to the 2017 budgetary stability plan) of -0.76% of GDP and a **primary surplus of 1.76%** (in line with the OECD recommendation for maintaining a continual primary surplus of at least 1% in order to accelerate the rhythm of fiscal consolidation and a reduction in the levels of public debt).

### 3. Reducing the burden of the shadow economy

Our country should make progress with regard to a reduction in the burden of the **shadow economy** (17.2% of GDP) because of its negative effects on our capacity to collect taxes and finance the Welfare State. If Spain had adopted measures to encourage citizens' tax responsibility, intensifying the fight against fraud and increasing electronic payments, the level of our shadow economy at present would be **11.6%** (the average for advanced economies with a less widespread shadow economy than in Spain). As a result of this, **nominal GDP would increase by 64.9 billion euros**.

4. Each GDP growth point represents a 1.5% increase in tax revenue.



Reduction of the **shadow economy to 11.6%**



Note: calculated figures on GDP forecast for 2017  
Source: Círculo de Empresarios based on F. Schneider, 2017

Countries with a **less widespread shadow economy** have **lower average unemployment rates**. Specifically, between 2000 and 2016, the average rate of unemployment in countries with a smaller shadow economy than in Spain<sup>5</sup> was 6.4% (compared to our rate of 16.4%). At the same time, the shadow economy is less prevalent in those economies with a **higher level of institutional quality** and a **more straightforward and stable regulatory framework** that favours the development of private initiative.

**Correlation between shadow economy (% GDP) - control of corruption (WGI)**



**Correlation between shadow economy (% GDP) - Regulatory quality (WGI)**



Source: Círculo de Empresarios based on Schneider and World Bank, 2017

5. Austria, Belgium, Denmark, Finland, the UK, Germany, France, the Netherlands, Sweden, Switzerland, Norway, Ireland, Australia, Canada, Japan, the USA, New Zealand



In fiscal terms, a less widespread shadow economy would mean **additional public income of 24.9 billion euros**<sup>6</sup>. If we add to that the revenue generated by the previously described new business structure, this would allow us to reach a fiscal surplus of **1.24% of GDP** with positive consequences for sustainability of the debt and the Welfare State.

### Additional fiscal footprint

#### Unemployment expenditure

-6.1 billion €



#### Increase in revenue

(22.1 billion €)

8.1 billion (SS)

(elasticity 1.5)



#### Reduction of the shadow economy

(24.9 billion €)

7.7 billion (SS)

(38.3% of fiscal forecast)



We would have a **total fiscal surplus... 1.24%**

**Primary fiscal surplus = 3.6%**

Source: Círculo de Empresarios, 2017

At the same time, the impact on **employment** would be the equivalent of **1.07 million more jobs** and 7,688 million in additional revenue through social security contributions.

With a reduction of the shadow economy,  
**1.07 million jobs would emerge**



Reaching a total of...

**20.77 million employed people**

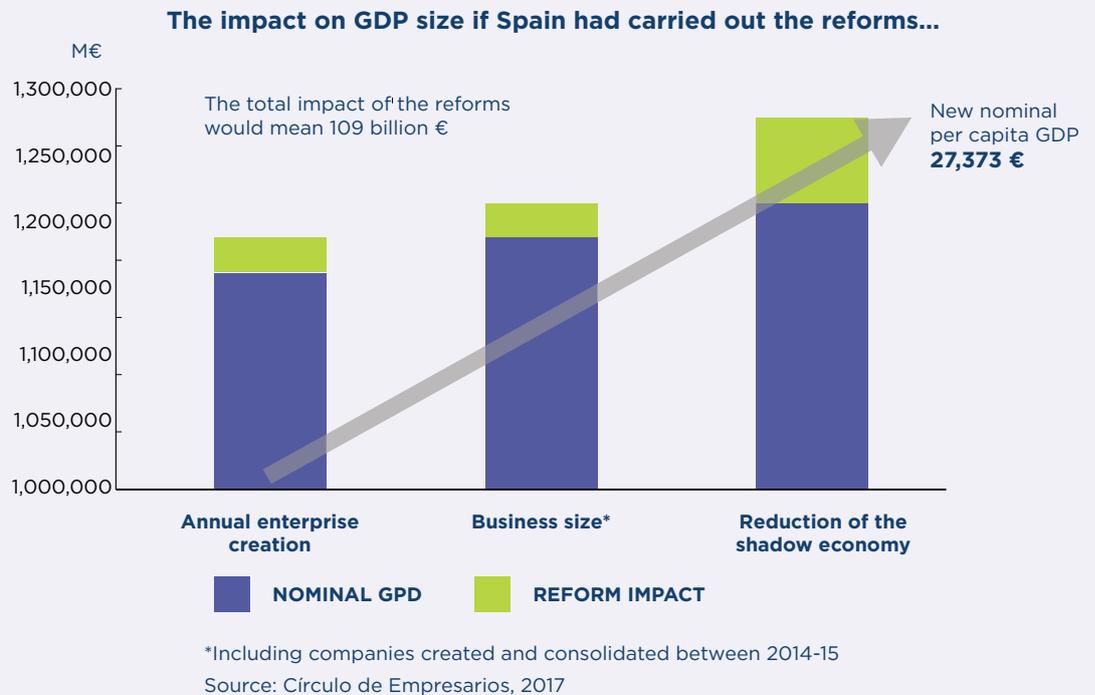
Source: Círculo de Empresarios, 2017

## SPAIN 2030: A BETTER COUNTRY FOR EVERYONE

In Spain, unemployment is the principal factor that is generating inequality, and is responsible for **80% of the variance in the Gini income inequality index**<sup>7</sup> (BBVA Research, 2017). To guarantee quality employment and generate more inclusive economic growth requires making a greater commitment to education, the creation and the growth of our companies and a reduction in the shadow economy.

6. For the purposes of this calculation, Spain's tax burden has been taken into consideration (38.3%).

7. However, in Spain, the Gini wealth index is 0.65, lower than Denmark (0.89), Sweden (0.81), Austria (0.78) or Germany (0.78).



In short, the combination of these reforms would help place per capita GDP at 27,373 euros. At the same time, it would generate additional tax revenue of 47.03 billion euros that would allow us (provided the level of discretionary expenditure and debt remained constant) to reach a budget surplus that would contribute to the sustainability of the Welfare State and a greater degree of social inclusion:

| Revenue       | Expenditure*  | Public sector Debt |
|---------------|---------------|--------------------|
| % GDP         | % GDP         | % GDP              |
| <b>38.91%</b> | <b>37.67%</b> | <b>90.6%</b>       |

\*Assuming that nominal public expenditure remains constant  
Source: Círculo de Empresarios, 2017

This new fiscal scenario would guarantee the sustainability of the **Welfare State** – part of our **shared patrimony** that we should do our best to preserve and protect. Not only does it constitute a fundamental pillar in terms of social protection, but it's also aimed at ensuring intergenerational equity.

Resolving the problems that persist in Spain and preparing for the future requires us to build on the past – to reflect on the progress achieved and our current strengths. **Building a better country for everyone** requires creating things together again, reaching agreements and regaining



confidence in our capabilities. It's time for dialogue, for overcoming differences and for agreeing on the reforms that will allow us to achieve **a more sustainable and inclusive growth**. But it's also time to adapt our country to the future world, aiming for competitiveness, talent and the reinforcement of our prominence in the future European project.

If we travel along this path together once more, the **Spain of 2030** will be the result of an inspiring common project. Consensus, cooperation, solidarity, change and opening up once more will allow us to reach a new socioeconomic situation. Together, we can create another period of modernisation, progress and social cohesion by looking back to the way we transformed Spain forty years ago.



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